

ADMINISTRATIVE INSTRUCTIONS FOR RURAL DEVELOPMENT FIELD OFFICES
REGARDING THEIR RESPONSIBILITIES IN THE ADMINISTRATION
OF THE HOUSING PRESERVATION GRANT (HPG) PROGRAM

I. Overall guidance.

This exhibit is intended for use by Rural Development personnel and applicants. It is to be used as a guide to this subpart to detail the duties of Rural Development personnel, reinforce specific Rural Developments, and further explain areas which have in the past been confusing.

II. Preapplications.

The State Director will designate the office for the processing (and servicing) of HPG preapplications in accordance with §1944.660 of this subpart.

Upon receiving the Federal Register and/or Administrative Notice (Processing), the State Office should notify all field offices and have a notice published in the local media. At a minimum, this notice should include the field office where a preapplication package may be obtained, questions answered, and a preapplication submitted; the open dates that preapplications may be received; and the amount of initial allocation received by the State and that "No entity can receive more than 50 percent of the State's allocation."

All requests for assistance in completing the preapplication will be forwarded to the appropriate Rural Development office. When District Offices are the processing office, the State Office is responsible for monitoring the District Office. The preapplication must be submitted to the processing office serving the area in which the applicant proposes to operate the HPG program. If the applicant proposes to operate in more than one District office area, the State Director will designate a specific office to process the application.

(A) Preapplication package. The State and District Offices will maintain for distribution to potential applicants, upon request, a supply of preapplication packets consisting of:

- (1) Standard Form (SF) 424.1, "Application for Federal Assistance (for Non-construction)";
- (2) Form RD 400-1, "Equal Opportunity Agreement";

- (3) Form RD 400-4, "Assurance Agreement";
- (4) Form RD 1940-20, "Request for Environmental Information"
(The attached instructions to the form for preparing the form
should be discarded in lieu of Exhibit F-1 of this subpart);
- (5) Exhibit F-1 of this subpart;
- (6) Exhibit F-2 of this subpart;
- (7) A copy of RD Instruction 2000-FF;
- (8) Forms AD-1047, "Certification Regarding Debarment,
Suspension, and Other Responsibility Matters - Primary Covered
Transactions," AD-1048, "Certification Regarding Debarment,
Suspension, Ineligibility and Voluntary Exclusion - Lower Tier
Covered Transactions," and AD-1049, "Certification Regarding Drug-
free Workplace Requirements (Grants) Alternative I - for Grantees
Other Than Individuals";
- (9) RD Instruction 1944-N.
- (10) This exhibit.

(B) Preapplication review.

The Rural Development official with whom the preapplication is filed will review the preapplication (SF 424.1) and other supporting information from the applicant pursuant to § 1944.676 of this subpart. The reviewing official will prepare a written narrative of the preapplication. These comments will, at a minimum, address the following items:

- (1) Whether the area to be covered by the project is a "rural area," as defined in 7 CFR part 3550. (Revised 01-23-03, SPECIAL PN.)
- (2) The need for the proposed activity and its relationship to Rural Development housing activities anticipated in the area to be served.
- (3) A statement that the applicant was made aware of the Drug-free Workplace Act of 1988 requirements (§ 1944.654(b)), the debarment requirements (§ 1944.654) and a review of the debarment list by the Agency. (Revised 07-31-96, PN 264.)

(4) That all of the requirements of §1944.658 of this subpart are or will be met.

(5) The extent of citizen involvement in the development of the preapplication, particularly the involvement of minority and/or low-income groups.

(6) A general statement that the applicant is (or is not) eligible and the application is (or is not) feasible, and the amount of funds recommended for approval (if applicable).

(7) Any other comments deemed necessary or applicable.

Preapplications which meet the project selection criteria outlined in §1944.679 (a) of this subpart will then be further reviewed and rated as outlined in §1944.679 (b) of this subpart. Exhibit D of this subpart will be used to summarize the ratings.

Upon completion of the rating (Exhibit D of this subpart), the preapplication, all supporting material, together with the reviewer's written comments, and recommendations will be forwarded to the State Director within 15 calendar days from the final date for receipt of completed preapplications.

(C) Review and ranking by State Office.

The State Office will re-evaluate all preapplications for completeness and accuracy. In addition, the State Office should also:

(1) Have the State Office architect review the preapplications as to the adequacy of the development standards to be used and any other construction related technical matters associated with the preapplication.

(2) Review Exhibit D of this subpart for all preapplications to assure that the rating was done in accordance with §1944.679 of this subpart.

(3) Complete Exhibit G (ranking) of this subpart listing all preapplications and submit a copy to: Multi-Family Housing Processing Division, Special Authorities Branch, National Office. States may request additional funds from the National Office reserve in accordance with a current Administrative Notice covering funding.

(4) Submit, for all preapplications meeting the criteria of §1944.679 (a) of this subpart, a copy of the organizations' legal documentation to the Office of General Counsel (OGC) for a review and opinion prior to obligation of any Rural Development funds. The State Office will review the opinion from OGC on the applicant's legal existence and authority to conduct the proposed program for all preapplications determined eligible. This review must be done prior to obligation of funds.

(5) Notify the applicants for all preapplications not meeting the criteria of §1944.679 (a) of this subpart. Those preapplications which do not meet Rural Development's requirements will be notified in accordance with §1944.682 of this subpart. A copy will be retained in the State Office.

(D) National Office
reallocation.

The National Office will review within 45 days after the final date for submitting the preapplications, review Exhibit G of this subpart received from all State Offices and determine a reallocation of funds including all reserve funds in accordance with the current Administrative Notice (Processing). State Offices will be notified accordingly.

III. Applications.

Upon notification from the National Office of the reallocation of funds and those applications that are to be funded, the State Director will:

(A) For preapplications for which there are not sufficient funds, return the preapplications to the processing office with reasons noted. The Rural Development official will notify those applicants of the reason(s) that their preapplication was not selected using Form AD-622, "Notice of Preapplication Review Action" and advise them of their appeal rights under Subpart B of Part 1900 of this chapter, if applicable.

(B) For those preapplications which are selected and for which funds have been set aside, advise the processing office to issue Form AD-622 and request the applicant to submit an application (SF 424.1) for submission to the processing office. The request will include:

(1) Instructions to the applicant for preparation of the full application;

(2) Any conditions or amendments that must be incorporated into the statement of activities or budget; and

(3) The following statement on Form AD-622: "You are advised against taking any actions or incurring any obligations which would either limit the range of alternatives to be considered, or which would have an adverse effect on the environment. Satisfactory completion of the environmental review process must occur prior to grant approval or obligation of funds, whichever occurs first."

(C) For those preapplications which are selected and for which funds have been set aside, the processing office will complete Form RD 1940-21, "Environmental Assessment for Class I Action," in accordance with Subpart G of Part 1940 of this chapter.

(1) The State environmental coordinator will review these preapplications for compliance with §§1944.672 and 1944.673 of this subpart and, review Form RD 1940-21 for compliance with subpart G of Part 1940 of this chapter.

(2) The approval official will execute Exhibit I of Subpart G of Part 1940 of this chapter.

These requirements will be met prior to grant approval or obligation, whichever occurs first.

(D) After receipt of Form AD-622, the applicant will submit an application (SF-424.1) in an original and two copies and provide whatever additional information is requested to the processing office within 30 calendar days.

(E) The processing office will review the application upon return from the applicant and determine if it complies with all regulations, is consistent with the information, and that supporting documents required to be submitted are complete. If major problems occur during the development of the application, notify the State Office (or National Office) for assistance.

(F) The approval official will review the docket for compliance with all requirements, including the assurance that paragraph II (C) (4) of this exhibit has been fulfilled.

IV. Obligations.

When funding has been authorized, the application is complete, and the approval official has determined that all requirements have been met:

(A) Complete Form RD 1940-1, "Request for Obligation of Funds" and the grant agreement (Exhibit A of this subpart) and forward both to the applicant for signature as authorized in its authorizing resolution. (NOTE: It is recommended that the grantee meet with the Rural Development approval official and sign the items.) The actual date of applicant notification will be entered on the original of Form RD 1940-1 and the original of the form will be included as a permanent part of the file.

(B) Process the signed Form RD 1940-1 and the grant agreement in accordance with this section.

(1) The approval official will sign Section 45 of Form RD 1940-1 and authorize the request for obligation of HPG funds through the Rural Development terminal system.

(2) Record the date and time of the request.

(3) Verify the obligation date by use of the Automated Discrepancy Processing System (ADPS) status inquiry function (Option 3 on the ADPS Menu Screen). If funds are not available for the project, immediately advise the State Director.

(4) Do not submit Form RD 440-57, "Acknowledgement of Obligated Funds/Check Request," to the Finance Office for HPG grants.

(5) Do not mail Form RD 1940-1 to the Finance Office.

(6) The State Office will provide a completed Exhibit A of RD Instruction 2015-C to the Director of Legislative Affairs and Public Information Staff, in the National Office, and recommend that the project announcement be released under RD Instruction 2015-C. The State Office will also send a copy to: Multi-Family Housing Processing Division, Special Authorities Branch, National Office. A copy will also be maintained in the State Office.

(C) When the approval official determines that the applicable administrative actions have been completed, the signed grant agreement (Exhibit A of this subpart) executed by the approval official and executed Form RD 1940-1 will be sent to the grantee. In addition:

(1) SF-270, "Request for Advance or Reimbursement," will also be sent to the applicant for completion and return to Rural Development.

(2) Upon receipt from the grantee of a properly completed SF-270, Form RD 440-57 will be completed by the approval official who will request the check through the Rural Development terminal system.

(D) If the approval official disapproves the project at this stage in the processing, it should be based on new information about the applicant's eligibility, project feasibility, and/or applicant's noncompliance with conditions or instructions issued with the Form AD-622. The approval official will fully document the findings and follow the appeal procedure in Subpart B of Part 1900 of this chapter. If it is determined that a project will not be funded or if major changes in the scope of the project are made after release of the approval announcement, the procedure under §2015.102 (c) of RD Instruction 2015-C will be followed.

(E) An approved grant may be cancelled before execution of the grant agreement if the applicant is determined to no longer be eligible, the proposal is no longer feasible, or the applicant requests cancellation. Cancellation will be accomplished as follows:

(1) The approval official will prepare Form RD 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation," in an original and two copies (three copies if the HPG check has been received from the disbursing office.) Form RD 1940-10 will be sent to the State Director (original and two copies with the check if the Treasury Check is being cancelled) with the reasons for requesting cancellation.

(2) If the State Director approves the request for cancellation, the State Director will forward the original request for cancellation (original and one copy of Form RD 1940-10 with the check if the U. S. Treasury Check is being cancelled) to the Finance Office. A copy will be retained in the State Office and a copy will be sent back to the Rural Development servicing office, if other than the State Office.

(3) The approval official will notify the applicant of the cancellation and, unless the applicant requested the cancellation, the applicant's right to appeal under Subpart B of Part 1900 of this chapter. A copy of the notification will be sent to the State Office.

V. Requesting HPG checks.

The initial advance of HPG grant funds should not be requested simultaneously with the Rural Development terminal system request for obligation of the grant funds. The check for the initial advance should be requested through the Rural Development terminal system after the obligation date provided by the status inquiry function.

All advances will be requested only after receipt of SF-270, from the grantee. The amount requested must be in accordance with the applicant's budget and statement of activities, including amendments, as approved by Rural Development. An SF-270 will not be submitted more frequently than once every 30 calendar days. The approval official has the discretion not to authorize advances if the grantee fails to submit required reports or is in violation of the grant agreement.

Funds will be transmitted in accordance with RD Instruction 2018-D. (Revised 05-18-05, PN 386.)

VI. Grant servicing and monitoring.

Rural Development, in accordance with § 1944.660 of this subpart, allows the State Director latitude in designating the servicing (and processing) office(s) for the HPG program. Regardless, the State Director is responsible to ensure that all Rural Development staff are properly trained in the HPG program.

Each grant will be monitored by Rural Development to ensure that the grantee is complying with the terms of the grant agreement, the statement of activities and the budget, and that the HPG project activity is completed as approved.

Major areas of grant servicing and monitoring are listed below.

(A) Shortly after the grantee begins construction on a unit or dwelling, the Rural Development office servicing the grantee should visit the office of the grantee and review a sample number of recipient files. Additionally, those units or dwellings should be visited to ascertain if they are in compliance with HPG regulations.

(B) Review of quarterly and final reports submitted by the grantee pursuant to § 1944.683 of this subpart. The quarterly performance reports (Exhibits E-1 and E-2 of this subpart) must be used by the grantee. These reports will be reviewed to determine satisfactory progress. The servicing office will contact or meet with the grantee, only when problems are noted, to discuss the report and to resolve any problems. One copy of the report with comments, problem solutions, and recommendations will be forwarded by the servicing office to the State Office (when applicable) within 15 calendar days of completions when the servicing office is not the State Office. The items listed below are areas which, at a minimum, should be addressed.

(1) The accuracy of the information. Is it the same as the grantee noted in the application, budget, and statement of activities?

(2) Is the report complete and does it reflect the number of units/dwellings assisted, the cost of assistance, the type of recipients, etc.? More importantly, is the grantee keeping in-line with that which the grantee proposed?

(3) The accomplishment of quarterly objectives and the accuracy of the grantee's schedule.

(4) The grantee's performance in implementing the environmental process of § 1944.672 of this subpart and the historic preservation process of § 1944.673 of this subpart.

(5) Any recommendations for modifying or amending the statement of activities or the budget to reflect grant activities.

(6) Any problems noted along with follow-up documentation of resolved or unresolved problems.

(7) If the reports indicate satisfactory progress, the State Office will maintain a copy and take no further action. If the report indicates unsatisfactory progress, the servicing official will recommend to the State Director appropriate action to resolve the indicated problem(s). In accordance with §§ 1944.683 and 1944.688 of this subpart, as well as the grant agreement, the State Director has the discretion to suspend or terminate the grant where the progress of the project is unsatisfactory. Upon recommendation of the servicing official, the State Director will notify the grantee in writing of a decision to suspend or terminate the grant, providing the grantee with the reasons for such action, possible corrective measures the grantee may take, and the effective date of the action. Rural Development will also advise the grantee of its appeal rights under Subpart B of Part 1900 of this chapter.

VII. Reports to National Office.

The following reports must be sent to: Multi-Family Housing Processing Division, Special Authorities Branch:

(A) Exhibit G of this subpart.

(B) A copy of Exhibit A of RD Instruction 2015-C (same as sent to the Director Legislative Affairs and Public Information Staff) of the project announcement to be released.

(C) A copy of all unsatisfactory quarterly performance reports together with all correspondence between the servicing office (or the State Director) and the grantee.

(D) A copy of the final performance report (Exhibit E-1 of this subpart) for each grantee at the termination of the grant agreement.

VIII. Environmental requirements.

Applicants provide environmental information on the area to be served by the HPG program on Form RD 1940-20 as part of the preapplication stage. In addition, applicants will include in its statement of activities its process for identifying whether an individual property will require an Rural Development environmental assessment, because it is located in a floodplain, wetland, or the proposed work is not concurred in by the Advisory Council on Historic Preservation under the requirements of §§1944.672 and 1944.673 of this subpart.

After grant approval, grantees are responsible for making an initial environmental determination and historic preservation review in accordance with its statement of activities for each dwelling to be provided HPG assistance.

(A) The grantee needs to document this review in each recipient's file. Suggested language is: "We have considered this dwelling under Rural Development's environmental and historic preservation requirements for HPG's (§§1944.672 and 1944.673 of this subpart) and an environmental assessment is not required. The review was completed in accordance with the process to identify properties requiring an Rural Development environmental assessment approved with our statement of activities."

(B) Rural Development is required to make an environmental assessment in accordance with Subpart G of Part 1940 of this chapter when a dwelling is located in a floodplain or wetland and to satisfy the requirements of 36 CFR 800, "Protection of Historic and Cultural Properties," when the grantee is not able to obtain the concurrence of the Advisory Council on Historic Preservation for the rehabilitation of a historic property. The grantee will advise Rural Development of such instances. Rural Development will then prepare the appropriate assessment outlined in Subpart G of Part 1940 of this chapter, working with the grantee to develop alternative actions and/or mitigation measures, as appropriate. Dwellings within the Coastal Barrier Resources System (CBRS) are not eligible for HPG assistance.

(C) Upon completion of the Rural Development assessment, the grantee will be advised of appropriate action to comply with the results of the assessment. A copy of Rural Development's assessment will be given to the grantee for filing in the recipient's file. Rural Development will maintain a copy of the review and related correspondence in the HPG file in the servicing office. No work will be done on the dwelling until and unless so advised by Rural Development.

IX. Extending grant agreements and modifications to the statement of activities.

If a request for a grant extension or modification to the statement of activities or budget is requested, the approval official will document the actions taken.

(A) If the grantee requests an extension to the grant agreement, it must be thoroughly documented as to the reason(s) for the time extension. The statement of activities or the budget usually needs to be revised in conjunction with extending the date.

(B) If the grantee requests any modifications to the statement of activities and/or the budget, the grantee needs to submit the modified statement of activities and/or the budget, as appropriate, together with all information necessary to justify the request. Such requests will be submitted to the Rural Development servicing office which will review and approve (if the original approving official) or recommend approval and forward the docket to the approval official, if it concurs with the modifications and such modifications meet the requirements of this subpart.

(C) Exhibit B of this subpart shall be executed upon approval of an extension of the grant period or and change in either the statement of activities or the budget.

(D) If an extension or modification is not approved, the approval official will notify the applicant in writing of the decision and advise the applicant of the appeal procedures under Subpart B of Part 1900 of this chapter.

(E) Additional grants may be considered and processed competitively, as provided in §1944.686 of this subpart. Upon approval, a new grant agreement is required and the grant will be coded as an initial grant on Form RD 1940-1.

X. Long-term monitoring by Rural Development.

The Rural Development servicing office shall insure on an annual basis that the requirements of §1944.689 of this subpart are being performed.

XI. Additional instructions.

The following provides additional guidance on areas which have in the past been confusing.

Allocation of funds. "After all preapplications have been reviewed under the selection criteria and if more than one preapplication has met the criteria of §1944.679 (a) of this subpart, the State Director may not approve more than 50 percent of the State's allocation to a single entity." (§1944.680 of this subpart)

The term "allocation" is either the initial allocation or the final allocation to the State, whichever is more favorable to the State.

When recommending (Exhibit G of this subpart) grant amounts, remember that the amount awarded cannot be higher than the amount requested by the applicant. Grant amounts should be rounded down (or up) to the nearest \$10.

Appeals. The review and selection process must be as objective as possible. Ratings are to be based on facts, not opinions. The only HPG preapplication threshold criteria (§1944.679 (a) of this subpart) decision that is appealable is, if it was rejected because it was not considered financially feasible (§1944.679 (a)(1) of this subpart) or for administrative errors. Appeals are handled by the National Appeals Staff in accordance with Subpart B of Part 1900 of this chapter.

Applicants determined eligible, but not selected due to lack of funds, are not to be given appeal rights. They may, however, request a review of the selection process and their rating.

Applications considered incomplete do not receive appeal rights, only review rights.

Budget. The information in the budget must correspond to the information in the preapplication and in the statement of activities.

The budget must indicate the breakdown and source of leveraged funds.

Cash advances. 7 CFR Parts 3015 and 3016 requires that cash advances be limited to the minimum amounts needed to be expended within the next 30 days. Only one request for a cash advance may be made within any 30-day period. (See also Disbursements.)

Cash requests (and cash advances) should follow the proposed draw requests originally submitted by the applicant.

7 CFR Part 3015 requires that cash advances made to nonprofit organizations and not disbursed must be deposited in an interest bearing account. Any interest earned on an HPG account (unless a public agency or tribal organization) must be remitted to Rural Development (unless the amount is \$99.99 or less per year in which case the amount of interest earned may be retained by the grantee for administrative expenses).

SF-270 provides for an alternative method of computing advances which Rural Development may require as an option for the grantee to utilize. The alternative method involves fewer computations and includes an estimate of the balance of funds on hand as of the beginning of the advance period.

Consistency in review process. States must be consistent in the review, rating, and ranking of preapplications. Minimal information may be requested from the applicant for clarification.

If a preapplication is incomplete, do not allow the applicant more time to submit the item(s). Determine the preapplication incomplete.

The preapplication may be "incomplete", if an item such as the statement of activities, the budget, etc., is missing. The preapplication may be "ineligible" if the activity proposed, the rehabilitation process proposed, etc., may not meet regulations. The applicant may also be "ineligible" (e.g., not meeting the organizational requirements, an individual applies, etc.)

A preapplication should not be rejected just because it's unusual.

Contracts. The repair/rehabilitation contracts are normally between the recipient and the contractor and not between the grantee and the recipient. An exception is where the grantee is operating as the contractor (§1944.664 (f) of this subpart).

Construction inspections. Construction inspections may be an eligible preservation cost, especially when such inspections are on a fee basis and related to an individual unit/dwelling assisted. Construction inspections may be treated as either an administrative expense or a preservation expense. It's up to the grantee to indicate so in their budget. Construction inspections are generally considered a housing preservation expense if they are on a fee basis where the expense can be assigned to a specific unit/dwelling assisted.

All units/dwellings repaired or rehabilitated must be completed and inspected by a disinterested third party prior to the close of the HPG agreement, as provided by the date in the Grant Agreement. This should be done prior to the last payment to the contractor. Typically, the grantee, grantee's representative, or someone on the grantee's staff should not do the final inspection. However, this would be allowed, for example, if the city was the grantee, had a separate housing department and a separate inspection department. Rural Development personnel visiting the recipient units/dwellings are monitoring only for program compliance and not for construction compliance nor for code violations (unless the Rural Development official is a construction inspector, construction analyst, or State Office architect).

No Rural Development personnel can sign off on the final inspection for the grantee.

Disbursements. Disbursements by the grantee should either: be within 7 calendar days of the date of the U.S. Treasury Check or be within 30 calendar days if the amount is less than \$10,000. (See also Cash Advances.)

Financially feasible. Financial feasibility under the project selection criteria (§1944.679 (a)(1) of this subpart) is defined as "...proposed assistance which will be affordable to the intended recipient or result in affordable housing for very low- and low-income persons."

Financial feasibility has to do with the grantee providing affordable assistance to its intended clients (recipients), not with how the grantee proposes to operate and achieve their objectives.

Forms Rural Development 400-1 and Rural Development 400-4. These forms are not required for American Indian tribes, bands, groups, nations, etc.

Indirect cost. (§1944.676 (b) (1) (x) of this subpart). This subpart references Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State and Local Governments" and OMB Circular A-122, "Cost Principles for Nonprofit Organizations, Other Nonprofit Organizations, Uniform Administrative Requirements". These circulars require government agencies or nonprofit organizations to legally obligate themselves in the administration of HPG funds and to provide an adequate accounting of the expenditure of HPG funds. The circulars also govern the acceptance and use of HPG funds.

A specific requirement under these OMB Circulars is the establishment of "indirect cost rates" for grantees with more than one source of funding. The requirements are designed to provide that Federally assisted programs bear their fair share of cost, unless restricted or prohibited by administrative requirements or law.

Direct costs are those which can readily be identified with a particular grant or contract and may consist of salaries, wages, fringe benefits, consultant services, travel, materials, supplies, equipment, and communication costs. Indirect costs are those which cannot be readily identified, but are necessary to the general operation of the government agency or nonprofit organization. Typical indirect costs are administrative salaries (top level managers not actively involved in day-to-day operations of the HPG program), related travel expenses, consumable supplies, depreciation, office rent, insurance, bonding, general telephone expense, and general repairs and maintenance for the offices. What one grantee may consider a direct cost, another grantee may consider an indirect cost. The decision to treat a certain cost as an indirect cost or a direct cost will depend upon the treatment of that cost within the grantee's accounting system.

Where there is more than one source of funding, the grantee must submit an indirect cost proposal (annually) and no later than 6 months after the end of the grantee's fiscal year to its cognizant agency. When the grantee is new, a proposal should be submitted no later than 3 months after the effective date of the grant agreement. The indirect cost rate is established through an agreement between the government agency or nonprofit organization and the cognizant Federal agency, which acts on behalf of all other Federal agencies in approving the rate. The cognizant Federal agency is typically the agency which provides the largest amount of federal funding to the government agency or nonprofit organization.

A provisional and a final rate is agreed upon and the indirect costs are eventually grouped into a common pool and distributed to the benefiting projects and activities by a cost allocation process (indirect cost rate) which is applied in determining the amount of indirect costs for each project or activity.

The HPG program is somewhat unique in that administrative costs must not exceed 20 percent of the HPG funds awarded to the grantee, whereas the indirect cost ratio applies to the total cost of the project. HPG administrative costs cannot be more than 20 percent of the total HPG funds!

Initial vs. subsequent grants. If an existing or previous grantee is selected for funding in the current fiscal year, the new grant must be coded as initial and not subsequent (Item 22 of Form RD 1940-1). The only time a grant is coded as subsequent is when an existing grantee receives additional funds in the same fiscal year.

Leveraged funds. When considering leveraged funds, the applicant needs to either provide sufficient documentation in the preapplication that indicates that leveraged funds are or will be available or provide enough information that can be verified and documented by Rural Development prior to determination of the points earned under the selection criteria.

Promises of funds may not necessarily meet the criteria. Further documentation may be necessary. Past availability of funds and probability of funds is more likely; however, you may again want to confirm the probability by contacting the other source of funds.

Rural Housing (RH) Section 504 funds cannot be counted as leveraged funds, because these funds are not "blocked" to HPG grantees.

The leveraging of administrative funds does not contribute to the selection criteria on leveraging under §1944.679 (b) (2) of this subpart. Proposals are to receive points when less than 20 percent of HPG funds are used for administrative expenses. While no points are assigned for administrative funds leveraged, the availability of additional administrative funds may be critical to the management of the applicant's program.

The formula in §1944.679 (b) (2) of this subpart is: subtract HPG administrative cost from total HPG funds requested and then divide the resulting figure by the total cost of preservation proposed to obtain a percentage.

Leveraged funds should be tied in firmly with the grantee. Making availability of leveraged funds a condition of grant approval is not enough, since the funds could fall through and Rural Development would have selected an applicant that could not accomplish its targeted objectives. There would then be no recourse within the fiscal year for a grantee that may have rated better than the one whose leveraging fell through.

Market areas. Existing grantees requesting a modification to the statement of activities may propose to serve additional market areas with HPG funds. This may be approved, however, the grantee must provide information as to why it did not meet its original objective, what was done to attempt to meet that objective, and its administrative capacity to handle a new area.

Monitoring by Rural Development. Rural Development should review a few of the recipient files to make sure the grantee is in compliance with all regulations. Rural Development should also spot check a few of the recipient homes to make sure all items are being looked at, there are no historical nor environmental concerns, etc. Rural Development is not running the program...the grantee is. We are simply monitoring the grantee.

Preapplications. An applicant can send in more than one preapplication. They may desire two different programs (i.e., one grant vs. one loan program or assisting homeowners and assisting rental properties) or they may desire to have two programs in separate areas. However, no one entity may receive more than 50 percent of the State's allocation.

Publication notice by Rural Development. The State Office should notify County Offices to publish a notice of the HPG program in the local newspaper, stating the time limitations, where to apply, etc. The notice should not state that the applicant cannot apply for more than a specific amount nor make only one application. You should note, however, the amount allocated to your State and that no one entity may receive more than 50 percent of the State allocation. Do not encourage all applicants to apply for an amount equal to the initial allocation or even 50 percent of the initial allocation. However, applicants should request the minimum needed to operate a feasible, cost effective program.

Processing checklist. While a processing checklist is not required, reviews are being conducted with little or no comments in the running record. A processing checklist indicating that the items were reviewed is beneficial only if updated constantly and consistently. Exhibit D of this subpart must be used.

Program income. Grantees are required to monitor and track the use of program income (loans, interest repayments, payments received from breach of agreement) to ensure that repayments are used properly which will include an accurate, current, and complete disclosure of the financial results of each grant. This method should be noted in the statement of activities.

Public comment process. Preapplications cannot be considered unless the applicant has made the statement of activities available to the public for at least 15 days prior to the last date for receipt of the preapplications. The 15-day comment period must be noted in the publication. This notice should be in the recognized paper for the area to be served. This does not mean that the comments received (if any) needs to be submitted with the preapplication.

American Indian tribes, etc. are exempt from publication in a newspaper, as long as a notice was sent out to all tribal members in the area or some other acceptable manner of notification was used.

Recipient selection. After the grantee goes through a detailed and documented screening process (recipient eligible or not eligible), the grantee must have a process for selecting recipients (e.g. who is first, second, etc., in line to receive assistance.)

This process must be noted in the statement of activities and should be reviewed for compliance by Rural Development when visiting the grantee and reviewing the recipient files.

Staffing requirements. §1944.676 (b)(1)(vi) of this subpart. The statement of activities must include the staffing required to complete the program. Compare the information to that of the budget. Special notice should be on the percentage of time being spent by the staff on the program. Example: Executive Director-50 percent? You should ask yourself: Is the Executive Director really going to spend 50 percent of his/her time on the HPG program given other responsibilities?

Thermal standards for Rural Development existing structures. All recipient files must have a statement signed by the grantee or grantee's representative that basically says: "This home has been inspected and when repairs/rehabilitation is complete, it will meet Rural Development's thermal standards for existing structures outlined in Exhibit D of Subpart A of Part 1924 of this chapter."

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Guide For Completing Form RD 1940-20,
"Request for Environmental Information"
for a Preapplication for Housing Preservation Grant (HPG)

Introduction

The purpose of this guide is to simplify the HPG applicant's task in completing Form RD 1940-20, "Request For Environmental Information." The guide tailors the use of the form to the needs of the HPG program. Applicants should first read the questions on the form and then use this guide in preparing their responses.

Completion of Item 1b

Item 1b of the form is completed whenever the applicant checks the "No" block under item 1a.

Since financial assistance for an HPG has been defined by Rural Development as a Class I action, the applicant need only provide the following information when filing a preapplication. If further information is required, the applicant will be so advised by the Rural Development office processing the preapplication. The following is a discussion on how to respond to these six required parts.

1. Primary Beneficiaries

For the purposes of determining the HPG proposal's environmental impacts, the primary beneficiaries for an HPG will be the residents of the dwellings to be repaired and/or rehabilitated. Therefore, the applicant should briefly state the expected number and type of dwellings that the proposal may assist and, in particular, all repair and rehabilitation activities that are part of the proposal.

2. Area Description

(a) The applicant does not need to provide any description of the specific dwellings to be repaired or rehabilitated. Most of these are probably unknown at the time of preapplication submittal. Therefore, a more general description should be provided of the geographical area(s) in which the applicant's HPG program will operate. The applicant must describe:

(1) The environmentally sensitive land uses within this geographical area(s) such as floodplains, wetlands, and coastal areas;

(2) The presence within the geographical area(s) of all environmental conditions such as excessive noise levels, radon gas, inadequate water supply or sewage treatment, contamination from toxic, hazardous, or radioactive substances, seismic conditions, a violation of an ambient air quality standard(s) resulting from emissions from a major facility, or any other health/safety hazards known to the applicant; and

(3) The potential for properties to be assisted by the applicant's program to be located in or impacted by the conditions described in paragraphs (1) and (2) of this section.

(b) For each box checked "Yes" in item 3, describe the nature of the effect on the resource. If one or more of boxes 17 thru 22 is checked "Yes" or "Unknown," contact Rural Development for instructions relating to the requirements for floodplains, wetlands, and the Coastal Barrier Resources System.

(c) In terms of maps and descriptive information, a map showing a reasonable amount of detail, i.e., all roads, waterways, railroads, airports, etc., must be provided that clearly delineates the geographic area(s) to be served by the HPG program. Also, if the applicant has plans to concentrate HPG funds in a particular area or on a particular type of housing, associated general locations should be highlighted on the map.

3. Public Reaction

(a) Describe any objections which have been made to the project.

(b) If a public hearing has been held, attach a copy of the transcript or other official record of the hearing. If a public hearing has not been held, certify to that effect.

(c) Indicate any other evidence of the communities awareness of the project such as newspaper articles or public notification.

4. Mitigation Measures

Applicants will use this part to describe the mitigation measures that will be considered and/or used should any dwellings to be assisted be located within the environmentally sensitive or hazardous areas described by the applicant in response to section 2 of this exhibit.

5. Permits

Discuss the status of, and if available, attach any State, sub-State, or local permits or permitting processes of an environmental nature that will have to be complied with in the implementation of the HPG program. There is no Rural Development requirement that applicants apply for permits during the preapplication or application review process.

6. Other Federal Actions

Identify other federal programs or actions which are either related to this project or located in the same geographical area(s) and for which you are filing a preapplication, have recently received approval, or are in the planning stages.

Completion of Item 2

Applicants must complete this item. Applicants must develop their proposal as it relates to historic preservation in consultation with the State Historical Preservation Officer (SHPO) and provide the SHPO with a copy of their statement of activities and be prepared to discuss and modify it to reflect the historic preservation requirements of the HPG program. (For further information, please review §1944.673 of this subpart and the Programmatic Memorandum of Agreement (RD Instruction 2000-FF) provided as part the HPG preapplication package.)

Completion of Item 3

Self-explanatory.

Completion of Item 4

The answer to this question will be known by the applicant since the applicant would have been formally notified by the U.S. Environmental Protection Agency if the applicant has been listed or is under consideration for listing.

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Guide: Grantee's Process for Identifying Properties
Requiring Rural Development Environmental Assessments

I. Before beginning work on a particular dwelling, we (grantee) agree to answer the following questions in accordance with the accompanying guidelines:

A. **Floodplains, Wetlands, and Coastal Barrier Resources System (CBRS)**

1. Is the dwelling located in a 100-year floodplain?

The grantee will check the latest Federal Emergency Management Agency (FEMA) Floodplain Insurance Rate Maps to determine if the property is located in a 100-year floodplain. These maps are provided by FEMA to each community which has been mapped, and may be reviewed at local municipal or county governmental offices. FEMA maps may be purchased from FEMA's Flood Map Distribution Center by calling 1-800-333-1363. In addition, Rural Development County Offices maintain an unofficial set of the maps. If a community has not been mapped, information regarding floodplains may be obtained from the Soil Conservation Service (SCS), the U.S. Fish and Wildlife Service, the U.S. Army Corps of Engineers, the U.S. Geological Survey offices, or regional or State agencies established for flood prevention purposes.

The grantee will check with the Rural Development County Supervisor if a dwelling appears to be in a questionable location. When advised to do so by Rural Development or one of the above agencies, the grantee will obtain the services of a registered engineer or appropriate environmental professional to make the floodplain determination.

2. Is the dwelling located in a wetland?

The grantee will check with the local SCS office to determine if the dwelling is located in a wetland protected by Executive Order 11990, "Protection of Wetlands." When advised to do so by SCS or Rural Development, the grantee will obtain the services of an appropriate environmental professional to make the wetland determination.

If the dwelling is located in a floodplain or a wetland, the grantee will do no work on the dwelling until Rural Development completes an environmental assessment. The grantee will abide by the decisions resulting from the assessment, including mitigation measures or a decision to reject the dwelling for the Housing Preservation Grant (HPG) program. The applicant will provide the Rural Development official performing the assessment a copy of the proposed mitigation measures for properties located in floodplains or wetlands submitted with Form RD 1940-20, "Request for Environmental Information."

3. Is the dwelling located in the CBRS?

If the dwelling is located on or adjacent to a coast of the United States or the Great Lakes, the grantee will check with the U.S. Fish and Wildlife Service to determine if the property is part of the CBRS. Rural Development County Offices servicing coastal areas may also have CBRS maps.

If a dwelling is located within the CBRS, the dwelling is ineligible for the HPG program.

B. Historic and Archaeological Properties

4. Does the dwelling or property have any historic or archaeological value?

The grantee will develop in consultation with the State Historic Preservation Officer (SHPO) a process to ensure full compliance with the spirit and intent of RD Instruction 2000-FF. The process will take into account the national historic preservation objectives set forth in Attachment 1 of Exhibit A of RD Instruction 2000-FF, and will encourage the rehabilitation of historic buildings in a manner that realistically meets the needs of very low- and low-income property owners while preserving the historic and architectural character of such buildings.

The grantee will identify properties that are listed or eligible for listing on the National Register of Historic Places. This will be accomplished by evaluating the property as set forth in Attachment 2 of Exhibit A of RD Instruction 2000-FF.

At a minimum, the grantee will contact the SHPO and request comments when any of the following conditions occur:

- (a) The dwelling proposed for rehabilitation and/or repair is older than 50 years;
- (b) Regardless of age, the property appears to have significant historic and/or archaeological features, including, but not limited to:
 - (1) The dwelling appears to have unusual architectural features which are not typically found in the area;
 - (2) A graveyard or burial ground of any type is known to be on the property;
 - (3) The property contains or is known to have contained a significant number of artifacts such as arrowheads, stone tools, etc.;
 - (4) The property is located in or adjacent to a currently listed historic district or site.
- (c) Any other conditions agreed upon by the grantee and SHPO under the terms of RD Instruction 2000-FF.

When planning the rehabilitation of a historic property for a proposed recipient, the grantee will comply with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings to the extent practicable.

If, after consulting with SHPO, it is determined the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings cannot be reasonably met, or it is determined a historic property will be adversely affected, the grantee will furnish all necessary information and initiate formal consultation to afford the Advisory Council on Historic Preservation an opportunity to comment. Attachment 3 of Exhibit A of RD Instruction 2000-FF provides additional guidance on this subject.

If at any time during renovation work one of the above conditions mentioned in paragraphs (a) through (c) of this section becomes apparent, the grantee will immediately cease work on the property and contact the SHPO and Rural Development. The grantee will abide by the directions of the SHPO and Rural Development concerning further work on the property.

**C.
Considerations**

Other Environmental

5. Does the property contain any areas where chemicals or petroleum products are stored, disposed of, or appear to have been released into the environment?

If the grantee discovers such a condition on the property, the grantee will not remove or handle any of these materials. The grantee will immediately consult with the occupants/owners of the dwelling regarding the situation and will contact Rural Development and, if appropriate, the local Health Department or environmental regulatory agency for further guidance.

6. Are there adjacent land uses which now or in the future present a potential detriment to the quality of the environment of the subject property?

The grantee will do a thorough reconnaissance of the surrounding area and determine if there are: noise sources (railroads, airports, industry, heavily traveled highways, etc.); safety or sanitary problems; air pollution sources; or severe deficiencies in services such as fire protection, crime control, etc.

If any of the adverse environmental conditions noted in paragraphs 5 and 6 of this section are discovered, the grantee will do no work on the dwelling until Rural Development has been consulted. The grantee will abide by the decisions resulting from the consultation and/or assessment, including mitigation measures or a decision to reject the dwelling for the HPG program.

II. We (the grantee) will answer each of these questions on each property considered for inclusion in the HPG program, and will document the recipient file with our findings. If none of the questions are answered "Yes," we will document such in the recipient file and will proceed with the repair/rehabilitation of the property as planned. We will monitor the work being done to insure that all construction wastes are properly disposed of. We will fully cooperate with and assist Rural Development in the preparation of any necessary environmental reviews on the property.

SUBMITTED BY:

Grantee

Title

Signature

Date

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